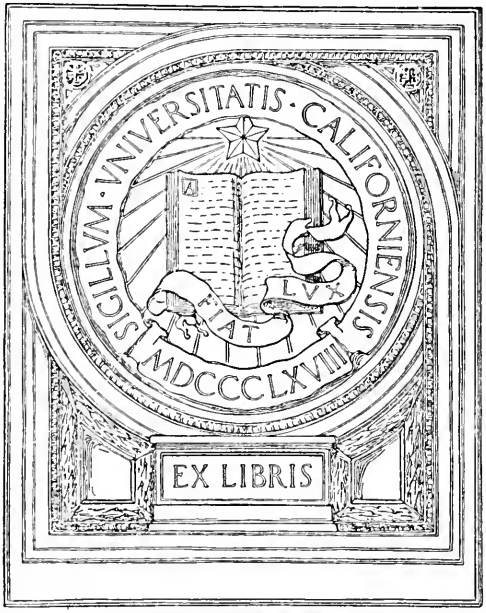
UBLICAN RESPONSIBILITY FOR PRESENT CURRENCY PERILS

BELMONT



Republican Responsibility for Present Currency Perils

By

Perry Belmont

G. P. PUTNAM'S SONS
NEW YORK & LONDON
The Knickerbocker Press
1898

The Knickerbocker Press, New York

PREFACE.

"*THE Hon. Perry Belmont has consented to write a series of seven articles on the currency question for* THE CITIZEN, *and we publish the first of them to-day; the remainder will be published in due order, from day to day.*

"*The public mind has been befogged in relation to the currency by voluble ignorance on the one hand, and on the other by a manner of treatment by experts that forbade the collection of clear ideas from their writings and speeches by the average man, busy with his own affairs and rarely in a mood to track thought through the mazes of technical discussion.*"—*Brooklyn* CITIZEN, *December 20, 1897.*

"*We must express the hope, therefore, in again expressing the obligations of* THE CITIZEN *and its readers to Mr. Belmont, that he will consent to their publication in a form which shall be at once desirable and within the reach of the people in general.*"—*Brooklyn* CITIZEN, *December 28, 1897.*

CONTENTS.

	PAGE
The Unconstitutional Greenback	1
The Constitutional State Banks	12
Democratic Money	21
Republican Money	37
Payment, Redemption, Resumption, and Extinction	47
Greenbacks or Bank Notes?	55
Suppression of State Banks by Congress	67
The Banks of the Whigs and the National Bank of the Republicans	73
Democratic Responsibility for the City of New York	81

REPUBLICAN RESPONSIBILITY

FOR

PRESENT CURRENCY PERILS.

THE UNCONSTITUTIONAL GREENBACK.

IT would obviously be premature for any one at this time to endeavor to define the currency legislation by Congress, which nearly a year from now, when called upon to nominate Democratic members of Congress, the Democrats of New York will advocate.

Democratic principles are immutable, because fundamental truths. The most essential were concisely stated by Jefferson, in his first Inaugural. One was this:

"The honest payment of our debts, and sacred preservation of the public faith."

Prudent and politic Democratic measures to vindicate that Democratic principle may depend this year somewhat on the conduct of the Republican party, which is now in power at Washington. We, of the Democracy, are in opposition.

Currency reform of some sort seems to be now everywhere demanded, excepting by those who do not think at all on the subject, or who, out of fear of censuring the Republican leaders, prefer to leave our finances, taxation, and currency to drift.

There are indications that the next question to be uppermost in political debate is whether greenbacks or bank notes shall, together with paper representatives of coined dollars deposited in the Treasury, constitute our paper currency.

The New York *Sun* had, on Nov. 26th, this opinion of what Congress should do:

"In providing for the future, the aim should steadily be to substitute for bank notes Government notes only, backed by an adequate gold reserve and redeemable in gold on demand. Let us have one standard, namely, gold, and one currency, composed

of Government gold coin and Government paper redeemable in gold, with silver for subsidiary use."

Commenting on the multitude of schemes to alleviate the present currency perils created by Republican legislation, that journal on the 11th of December again said:

"Let us suppress all bank notes and fill their place with Government notes, redeemable on demand in gold and secured by a redemption fund not liable to depletion for any other purpose."

The *Sun* has been a vigorous opponent of the Chicago platform of 1896, which declared:

"Congress alone has the power to coin and issue *money*, and President Jackson declared that this power could not be delegated to corporations, or individuals. We, therefore, denounce the issuance of notes intended to circulate as *money* by national banks as in derogation of the Constitution, and we demand that all paper which is made a legal tender for public and private debts, or which is receivable for

duties to the United States, shall be issued by the Government of the United States, and shall be redeemable in coin." [1]

If the Convention which adopted that platform declaration intended to discrim-

[1] The money and currency planks of the Democratic National platform of 1896 are radically unlike those of the Populist platform of that year. The former denounces national banks as unconstitutional, and affirms that if paper currency is to be issued it must be redeemed on demand "in coin." The latter "demands" a paper currency issued only by Congress—never by banks—and not redeemable in anything. The difference is so consequential that the Populist platform deserves reproduction:

"1. We demand a National money, safe and sound, issued by the General Government only, without the intervention of banks of issue, to be a full legal tender for all debts, public and private; a just, equitable, and efficient means of distribution, direct to the people, and through the lawful disbursements of the Government.

"2. We demand the free and unrestricted coinage of silver and gold at the present legal ratio of 16 to 1, without waiting for the consent of foreign nations.

"3. We demand that the volume of circulating medium be speedily increased to an amount sufficient to meet the demands of the business and population, and to restore the just level of prices of labor and production."

"5. We demand such legislation as will prevent the demonetization of the lawful money of the United States by private contract.

"6. We demand that the Government, in payment of its obligations, shall use its option as to the kind of lawful money in which they are to be paid, and we de-

inate between "money" and "currency," then the declaration does not cover State bank notes, which are not and cannot be a legal tender. On the other hand, the national bank notes are not a legal tender,

nounce the present and preceding Administrations for surrendering this option to the holders of Government obligations."

Was the "option" surrendered by Congress, or by the Executive?

If—the "if" is in the way—a bimetallic free coinage system were possible, surely establishing parity, and surely preventing fluctuations of the exchange rate between silver dollars and gold dollars, that would be an ideal system when, for paper currency, there shall be added thereto our existing device of gold and silver certificates. Then the people could increase, or diminish, at will the quantity of coined dollars, subject only to the possibilities of mining.

The Populist platform made no provision for antecedent debts to be possibly affected by free silver coinage. Congress should not double, for example, the weight and purchasing power of the present gold dollar, or diminish it by half, without rescuing antecedent debts. Coinage should not be changed with intent to serve debtors, or creditors. If Congress is to make, or establish, new dollars of gold, or silver, or paper, and is to greatly vary the quantity of either dollars in order to change the prices of articles, then antecedent debtors and creditors should be protected from loss. Future transactions can take care of themselves, but the working-men who have already contracted for their labor, or deposited dollars in savings banks, cannot, or may not, protect themselves.

and the declaration implies that such notes never can be a legal tender under the Constitution.

Lawyers have a Latin maxim which reads, "*Melior petere fontes, quam sectari rivulos.*" Freely translated, it means that, in seeking a principle of law to apply to a new condition of facts, it will be better to go back to its origin than rely on later definitions made to suit peculiar circumstances.

The question whether or not Congress has power to create full legal-tender greenbacks (no one denies its power to issue an evidence of indebtedness which is not to be legal tender for private debts) depends on the inquiry whether or not the Federal Constitution was designed to forever put an end to the emission, either by Congress or by the Legislature of any State, of "bills of credit" as legal tender for private debts.

The historical evidence that the Constitution was thus designed, was collected by the accurate historian of the United States, George Bancroft, and published

in 1886 as one of "Harper's Handy Series."

He shows that, in the first draft of the Constitution, the eighth clause of the seventh article read:

Congress "shall have the power to borrow money, and emit bills, on the credit of the United States."

And he also shows that, by the vote of nine States against two, the words "and emit bills" were stricken out, and that Madison left on record his opinion that the vote cut off the pretext for a legal-tender paper currency emitted by Congress.

He also shows that the Convention having "shut and barred the door" against Federal full legal-tender paper dollars, took up, twelve days afterward, the question whether or not any State should have the power to emit paper legal-tender currency.

The first draft of the Constitution forbade any State to emit bills of credit unless Congress gave its consent, but, on a motion by Roger Sherman, the Convention, by more than five votes to one, prohibited

any of the States from emitting bills of credit under any circumstances, and thus completely crushed out legal-tender paper dollars.

I will not now to comment on the latest decision of the Supreme Court, a dozen years ago, in Juilliard's case (reversing a previous decision), wherein the Court adjudged that because the power to make Government notes a legal tender in payment of private debts is, in Europe, one of the powers of complete sovereignty, and is a power not "expressly withheld" from Congress by the Constitution, therefore Congress can emit legal-tender greenbacks in time of peace.[1]

[1] The case of *Juilliard vs. Greenmann* was argued before the Supreme Court in 1884 by Hon. George F. Edmunds for Juilliard. His argument is published in volume cx. of United States Reports, p. 435. The conclusion of it is as follows :

"The Government of the United States has no power of inherent sovereignty, but only such sovereign powers as were *delegated* to it by a written Constitution which carefully and expressly declared that all powers not delegated by that instrument were reserved to the States and people. So that the power to create a legal-tender paper currency, if it exist at all, must exist by force of a delegation, and not by force of inherent sovereignty. The

Consider first the historical Democratic view of the question.

When, by the civil revolution which the ballot-boxes accomplished in the Presidential election of 1800, Jefferson became the first Democratic President, he declared in his Inaugural Address what he deemed

absence of an expressed prohibition against Congress making anything but gold and silver a legal tender (as was made in respect of the States) furnishes no evidence that such a power was intended to be left with Congress."

The Court, in its opinion, carefully avoided *sub silentio* that irresistible logic. It has probably not yet been overthrown by any body. The contention of the Court is that because in 1798 sovereignty in Europe could make Government notes a legal tender for debts between individuals, therefore those who framed and adopted the Constitution intended what European sovereignty could then (1798) do. George Bancroft and Horace White have affirmed that no European sovereignty had then (1798) exercised the power. Even the Bank-of-England notes were not then a legal tender.

The Court, however, did in 1884 adjudge that the greenbacks reissued under the "endless-chain" enactment of 1878 were a valid tender. That is the law in that case. Any voter, or political party, or Congress, is, of course, at liberty either to acquiesce in a legal-tender law believed to be unconstitutional, because now unnecessary, improper, and unsafe, or to labor for a repeal. It does not follow at all that, because the law was "necessary and proper" in 1878, it is either necessary or proper in 1898.

"the essential principles of our Government," but he made no allusion to legal-tender paper currency, and probably because no one then deemed it possible in our country.

When Congress made a greenback dollar (possessing in a month of 1864 only forty cents' purchasing power) a full legal tender for an antecedent promise to pay a gold or silver dollar having an hundred cents' purchasing power, Congress did not enforce honest payment of debts.

At the beginning of the present century, no one suspected that Congress could make paper evidences of Government debt a legal tender between individuals. Down to the War of 1812, no one had even proposed it in Congress. It was suggested in the House of Representatives on November 12, 1814, but, by a vote of 95 to 42, that body refused to consider it. The proposition was never again suggested till January 7, 1862, when, by only one majority (which was secured by the consent of Stratton of Brooklyn, whose judgment regarding the legal tender was in suspense, to vote for it so

that it could go into the House), the House Ways and Means Committee reported it on motion of Mr. Spaulding of Buffalo, and a Republican Congress adopted it on February 25, 1862. Secretary Chase discountenanced the idea in his annual report of the previous December, but on the next month he under pressure concurred. Mr. Spaulding, in his *History of the Legal-Tender Paper Money*, describes the Legal-Tender law as "a forced loan." Chief-Justice Chase in his dissenting opinion in the legal-tender cases (12 Wallace, p. 579) declared "erroneous" his concurrence of January 29, 1862, and that for the greenbacks of that year "the legal-tender quality is only valuable for the purposes of dishonesty." He put the legal-tender greenback under Jefferson's Democratic condemnation.

THE CONSTITUTIONAL STATE BANKS.

IN my previous paper it was shown that, during seventy years after the adoption of the Constitution, neither Democrats, Federalists, nor Whigs believed or suspected that Congress had power to emit full legal-tender paper currency.

The first United States Bank was in operation from 1791 to 1811, and the second during twenty years from April 10, 1816. In the interval between the first and second, there was a great abuse of banking by State banks. The nature of that abuse, and the evils thereby inflicted on the finances of the National Government by reason of its relation to those State banks, are described in President Van Buren's Messages to Congress. Many of the evils were remedied by the Democratic "independent" Treasury system for keeping and disbursing the national money, perfected during Van Buren's term of office, which completely di-

vorced the Treasury from all banks. The prevailing Democratic denunciation of banks, during the terms of Jackson and Van Buren, grew out of hostility to the United States Bank, and of the injury inflicted on the Treasury and the country by the conduct of the State banks, which were the recipients of Treasury deposits. The condemned "money power" of that period of twelve years was the banks—National and State.

The United States Bank having endeavored to constrain Southern and Western State banks to redeem their notes in coin, they made war on the former. The involved State governments endeavored to tax out of existence the branches of the National Bank, but the Supreme Court said a State could not tax "the bank." Then came a series of Southern and Western State laws in behalf of the State banks, known as the "relief" plan, which for years kept that part of the country in very hot water. This bank "relief" issue finally took on the form in 1828 of "relief" and "anti-relief" parties—the former for Jack-

son and the latter for Adams. The "relief" man was one who was a State-rights man, a strict constructionist, bent on preventing encroachments by Federal power, and especially by judicial power.

Nearly seventy years ago there came before the Supreme Court at Washington the "Craig case," which threatened, at one time, to put an end to all State bank notes. In that sense it deserves description.

Owing to the refusal of the local banks to redeem on demand in coined dollars their outstanding notes, the currency in Missouri was worthless in 1821. There was not a money medium of proper value. Without State aid the people of Missouri could not pay taxes, or debts, owed to the State. The people needed protection against the terrible evils of a debased and worthless paper currency.

Missouri established "loan offices," and authorized the issue of "certificates" of denominations not over twenty dollars or under fifty cents, paying two per cent. interest, receivable for taxes, and debts due to the State, or any county, or town. The

certificates were to be a legal tender by the State for salaries and fees of its officers. They were loanable to citizens on adequate security. A fund was created for redemption of the certificates, and "the faith of the State was pledged for the same purpose." One tenth of them were to be annually withdrawn from "circulation."

Craig borrowed $199.99 worth of the certificates, and gave therefor his note, payable Nov. 1, 1822, with two per cent. interest. He did not pay the note. He was sued, and he pleaded that the "certificates" he borrowed were "bills of credit," which the State could not emit, and that there was, therefore, no valid consideration for the note.

The Supreme Court was then composed of seven. Four believed the "certificates" were forbidden "bills of credit," and three believed they were not. Chief-Justice Marshall read the opinion of the Court that they were "bills of credit."

The first difficult task was to define the "bill of credit" named in the Constitution.

Marshall said it was "a paper medium, intended to circulate between individuals, and between Government and individuals, for the ordinary purposes of society," and that the prohibition in the Constitution "must comprehend the emission of any paper medium by a State Government for the purposes of a common circulation."

The majority and the minority agreed that legal-tender power was immaterial.

Did not Marshall's definition cover a bank note issued by the authority of a State?

All members of the Court agreed that the purpose of the Constitution was to inhibit a State from emitting any sort of a paper representative of money, but the minority looked on the certificates not as such paper money, but as evidences of a loan by Missouri to its citizens.

Mr. Justice Thompson, of New York, thought a "bill of credit" must rest entirely on the "credit" of the drawer, have no pledged fund behind it, and that if the "certificates" in question were forbidden, then State bank notes must be.

Mr. Justice McLean, of Ohio, read a long opinion dissenting from the opinion by Chief-Justice Marshall. He declared that a forbidden "bill of credit" must be issued by a State. It must be a promise by the State, and, no fund provided for converting it into money, it must have the credit of the State, not necessarily that it will be paid on presentation, but be paid some time or other in the discretion of the State.

That definition excluded an ordinary note issued by a State bank.

The judgment that the Missouri "certificate" was a "bill of credit" disposed of many pending similar cases, and excited furious resentment against the Supreme Court.

At about the time that Missouri established "loan offices," Kentucky authorized its General Assembly to elect a president and twelve directors to be a bank, all the shares of which should be exclusively owned by the State, and provided for capital stock to be paid by the State Treasurer. The bank could issue notes, payable in coin and receivable for taxes, accept de-

posits, and loan money. No capital was really paid by the State into the bank. Briscoe borrowed of the bank its bills, gave therefor his note, on which having been sued he plead that the consideration was void because the bills of the bank were, in fact and law, "bills of credit," unconstitutionally emitted by the State through its agent, the bank.

The case was first argued before the Supreme Court, when Marshall was Chief Justice, but, out of a court of seven, two (Johnson and Sewall) being absent, only five sat, and they being divided (three against two) on the question at issue, no judgment was rendered. Marshall, Story, and Baldwin were the three; McLean and Thompson were the two. The case had to be reargued, but before a rehearing Marshall had died, and President Jackson had commissioned Taney to fill his place; Johnson had also died, Sewall had resigned, and the President had commissioned Wayne and Barbour. Five of the seven then on the bench were Jackson Democrats.

After reargument, McLean gave the opinion of six. Story alone dissented, and said that Marshall and he had agreed at the close of the previous argument that the bank notes were forbidden Kentucky "bills of credit."[1]

The majority of the Court said that "bills of credit" must be issued by a State, involve the faith of a State, and be de-

[1] Mr. Justice Story was so disheartened by the Democratic decision that he contemplated resigning his seat on the bench. After his admission to the Massachusetts bar, he was a Jeffersonian Democrat, making vigorous speeches in Essex County against the Federalists. He had, as a Democrat, been one term in the Lower House of Congress, and was appointed to the Supreme Bench by Madison, but under the powerful personality of Marshall he became a sincere disciple of his teaching. He published the following reasons for contemplating leaving the Court:

"I have been long convinced that the doctrines and opinions of the old Court were daily losing ground, and especially those on great constitutional questions. New men and new opinions have succeeded. The doctrines of the Constitution so vital to the country, which, in former times, received the support of the whole Court, no longer maintain their ascendency. I am the last member now living of the old Court, and I cannot consent to remain where I can no longer hope to see those doctrines recognized and defended."

He remained on the Court till his death, which was eight years after the decision in Briscoe's case.

signed to circulate as money in the ordinary uses of business on the credit of the State; that the Kentucky bank notes were issued by a bank having capital to which the holders could resort, and the notes contained no promise by the State, although the State owned all the shares, and that the State, by becoming sole share-owner, imparted none of its sovereignty to the bank.

Thus State bank notes were saved, and thus it was adjudged that a State had power to create banks of issue, which power a Republican Congress practically took away from State banks by the 10 per cent. tax after 1866 in the interest of national banks.

DEMOCRATIC MONEY.

WHEN the war of secession began and the Democratic party had been expelled from Federal power by a division of its vote between Douglas and Breckinridge, and Lincoln became President (although he had less than forty per cent. of the popular vote), the financial operations of the Federal Treasury were conducted by means of an independent Treasury system, first enacted under Van Buren, July 4, 1840, repealed by the Whigs under Taylor in August of the next year, and re-enacted under Polk in the same month of 1846. No bank was permitted to aid in handling or transferring Government money, in placing loans, or in paying principal or interest. The only Government money was coined money. There were no redemption contrivances in the Treasury. Nothing but specie was accepted in payment of taxes and dues, and State bank notes were the medium in great part of private exchanges.

Free coinage of silver and gold was authorized by law. The unit of value reposed alike in gold dollars and silver dollars. Two in one, and one in two. All gold dollars and all silver dollars were full legal tender. Up to February 1, 1853, near the close of Fillmore's administration, all minor silver coins had also been a full legal tender, but a change was then made because France gave free coinage to both metals at a ratio of 15½, which ratio was more attractive to silver owners by about three per cent. than our mistaken ratio of 16, adopted in 1834, and silver coins were exported. The Treasury began purchasing silver and coining it at a ratio of 14 88-100, and reduced these silver coins to a legal-tender power of not over $5. That was not free silver coinage as before for all comers. Had Congress then changed our coining ratio to 15½ and adapted it to that of France, there would probably have been in 1860 a plenty of silver as well as gold coins in our country, all a full legal tender.

The State bank notes were not quite

satisfactory, but their character was steadily improving, and if the notes had continued in use till to-day, the reduction of counterfeits, better State laws, and State supervision to compel redemption on demand in specie, might have made them satisfactory. The country was enormously prosperous from the advent of Polk's administration down to the close of Pierce's, a period of a dozen years, under the régime of low tariffs, an independent Treasury, divorcement of the Treasury from all banks, no Federal money other than coined money, State bank notes, and no legal tender besides dollars, which were the units of value having full intrinsic value.[1]

[1] The Democratic administration of Pierce was midway between the Mexican war and the war of secession, and therefore can be taken as presenting a fair exhibition, in a period of exemption from armed disturbances, of the Democratic enforcement of the policy of economy, low tariffs, Government divorcement from banks, no Treasury money besides "hard money," and all "soft money" supplied by State banks. The preceding Whig administration of Taylor and Fillmore, occupied with measures culminating in the slave-labor "Compromise" of 1850, did not interfere with the Democratic financial and tariff legislation of Polk's administration. When Guthrie took charge of the Treasury on March 4, 1853,

Since that period there have been devised paper certificates of gold and silver dollars, deposited in the Treasury as a pledge, and held as such to pay on demand

he found his predecessor had been lax in enforcing the independent Treasury law, and more than five millions of public money were in the State banks, and out of legal custody. The public debt was nearly sixty millions, but he left it at less than twenty-nine millions. The public expenditures in no year of Pierce's term were over sixty-nine millions. The customs revenue in 1857 was sixty-four millions, and as not more than forty-eight were needed, tariff rates were reduced in that year. Imports in that fiscal year, less re-exports, were $336,914,524, and exports, including coin and bullion, were $338,985,065. The service rendered by the State banks was not perfect, but was fairly good and steadily improving. Absence of uniformity in State bank notes promoted the business of counterfeiters, and absence of one controlling bureau extending over all the States led to bad banking methods, but forty years have given experience and education. President Pierce accurately described in his last Annual Message the general industrial situation in these felicitous words:

"Our industrial interests are prosperous; the canvas of our mariners whitens every sea, and the plough of our husbandmen is marching steadily onward to the bloodless conquest of the continent; cities and populous States are springing up as if by enchantment from the bosom of our Western wilds, and the courageous energy of our people is making of these United States the great Republic of the world."

But a cloud in the financial sky of all the commercial world was slowly increasing. It came of two world-

the issued certificates, which are convenient and safe. Those certificates are not legal tenders, and should not be, because they are not real dollars, but only "the shadows

wide causes, which were gold discoveries and production, and enormous railway construction. The production of gold in our own country, during eight years ending in 1857, has been estimated at four hundred millions of dollars. During that period there were in the United States some twenty-one thousand miles of railway construction, of which there were thirty-six hundred and eighty-two miles in 1857. That nine years of railway construction absorbed over seven hundred millions of dollars largely borrowed in Europe. Since 1850, over four thousand miles of railway had in 1857 been built in England, at a cost of seven hundred and fifty millions of dollars. Bad crops, and the Crimean war, increased the size of the ominous cloud. Between 1850 and 1858, two hundred and seventy-five millions of coin and bullion were exported from our ports, which of course enormously promoted imports. Gold superseded silver, valued by the French coinage ratio at $15\frac{1}{2}$, and silver nearly disappeared for a time from circulation. There was everywhere intensity of buying, selling, and incurring debts. Our banks rapidly manufactured credit in great quantity. Guthrie privately and publicly warned the banks, and cautioned them to "take in sail," but their customers and managers in their excitement were deaf to his warnings. Finally, on August 24, 1857, the cloud burst over Cincinnati. There was panic in New York. In the middle of August, 1857, all the city banks of New York, excepting the Chemical, suspended payments in coin. Then came the failure of the Erie, the Illinois Central, and the Michigan Central railways.

of real dollars," such as Mr. Justice Johnson, of the Supreme Court, said in the "Craig case" was every kind of paper dollars.

The Democracy of the days of Jackson, Van Buren, Polk, and Pierce condemned any association of the Treasury with banks, Federal or State, even to the extent of depositing public moneys therein. The war against Mexico was successfully waged on that plan. Money of gold and silver was obtained by taxes and by borrowing. There were no "forced loans" by making Government debt in the form of greenbacks a full legal tender for private debts. There were no Federal or national banks. There was free coinage of gold and silver, although on a blundering ratio of 16 instead of $15\frac{1}{2}$.

When Van Buren was President he had

Prices fell. The cloud also burst over Europe, and there too a financial crisis followed. Scotch banks closed their doors. The law regulating Bank-of-England note issues was suspended. After the debris of the panic had been removed, the impending war over slave labor began to cast its shadows over our land, and our finances in Buchanan's time fell more and more into disorder.

to choose between a return to the United States bank, or the renunciation by the Federal Government of all concern for the paper currency which the people used. He and the Democracy chose the latter, and confined the Government at Washington solely to its own interests of collecting, keeping, and disbursing the public revenue. Thus it was in 1860.

A foreign war is a test of the currency of a country which conducts such a war. The Democratic hard-money plan triumphantly bore that test during the war with Mexico. The national bank paper Whig party hoped the war would compel a return to its theories. Every Government loan was sold at a price above par. Gold was abundant, and when peace came, our Treasury was well filled with it. Although free bimetallic coinage was then the statute right, yet, owing to the blundering ratio of 16 in 1834, the chief coin circulation was gold. France, by its open mints for both metals alike on the ratio of $15\frac{1}{2}$, gave a steady par of exchange between gold and silver, a steadiness which, after a quarter

of a century of violent disturbances, France has recently, in London, united with the United States to endeavor to restore. A Parliament publication in October last of the "correspondence respecting the proposals on currency made by the special envoys from the United States," contains a statement made at the British Foreign Office by the French Ambassador, on the 15th of July, 1897, in support of those proposals. His statement has not been published in our newspapers.

If evidence were needed of the absence of continuous wisdom in the conduct of our finances by the Republican party since 1860, it is to be found in the effort of President McKinley to restore now the international bimetallism which the Republican leaders constrained our country in 1873 to abandon.[1] The turning point in

[1] On February 12, 1873, when Grant was President, Boutwell was Secretary of the Treasury, and Blaine was Speaker of the House, a law was enacted on recommendation by the Treasury, revising and amending the coinage statutes. A gold dollar was made "the unit of value," the coinage of silver dollars was stopped, and only minor silver coins permitted, which coins were to

that unwisdom was, however, in 1861, when that party refused either to stand by the Democratic hard-money plan or to use the Clearing House appliances of the powerful State banks of the Atlantic

be a legal tender only for debts less than five dollars. That law enacted precisely the English system of gold monometallism, and destroyed our bimetallism of 1792.

Next to the President, Mr. Sherman is the chief person in the present McKinley administration. An examination of the public record of both will be useful now. Mr. McKinley entered Congress in 1877. He forthwith began to vote to modify the Republican coinage law of 1873, and to restore silver dollars. A special session of Congress was called to meet on October 15, 1877. A bill was presented to the House of Representatives for the free and unlimited coinage of silver. On November 5th Mr. Bland of Missouri moved to suspend the rules so as to enable the House to pass the bill. The rules were suspended and the bill was passed, without consideration by a committee and without debate, by a vote of 163 to 34. Mr. McKinley of Ohio was recorded in favor of the bill. Mr. Garfield of Ohio was recorded in opposition.

This bill was the basis of what afterward became the Bland-Allison Law of 1878. It was amended in the Senate so as to provide for the purchase and coinage of $2,000,000 every month. When it returned to the House Abram S. Hewitt of New York moved to lay the bill, with Senate amendments, on the table. This motion, which would have put an end to all silver legislation in that Congress, was defeated by a vote of, yeas 71, nays 205. Mr. McKinley of Ohio voted against laying the bill on the table. On this roll call, as on the other, Mr.

cities, which had advanced $150,000,000 of gold.

Is, or is it not, feasible and prudent to now return to the Democratic plan after thirty-seven years of Republican departure

Garfield of Ohio and Mr. Reed are recorded against the silver bill.

Mr. Hayes returned the bill to the House, with a veto message, February 28, 1878. The bill was passed over the veto by a vote of 196 yeas and 73 nays. Mr. McKinley voted to override the veto; Mr. Garfield of Ohio voted to sustain it.

Mr. Sherman, then at the head of the Treasury, says in his *Autobiography* (p. 623): "I did not agree with the President in his veto of the bill."

That law of 1878, for which Mr. McKinley voted, began legislation for a series of international conferences to revive "the use of bimetallic money." It began a modification of the gold-standard enactment of 1873, and Treasury purchasing of silver and coining anew silver dollars.

On January 29, 1878, was presented to the House a concurrent resolution declaring all Government bonds to be payable not in gold dollars, but in the before-mentioned silver dollars, then worth in gold ninety-eight cents, and Mr. McKinley voted for it.

The Ohio Republican State Convention had, on August 1, 1877, demanded "the remonetization of silver," which would have been a repeal of the gold monometallic coinage law of 1873.

Mr. McKinley reported a resolution which was adopted in the Republican National Convention of 1888, denouncing the Cleveland administration for its efforts to demonetize silver.

In the Fifty-first Congress, Mr. McKinley became

therefrom? Cannot legal-tender greenbacks, so long endured, be speedily exterminated? The existing national bank note system is not satisfactory, but how much supervision of bank notes and responsibil-

Chairman of the House Ways and Means Committee, and on June 5, 1889, when the resolution of the Committee on Rules, fixing a day for the consideration of the Sherman silver bill, was under discussion, he said:

"It is a resolution to give to the House of Representatives an opportunity to pass a bill which shall take all of the silver bullion of the United States, all of the silver product of the United States, and utilize that silver for monetary purposes and put it into circulation for the movement of the business of the country. It is to give to the people of the country not $2,000,000 monthly, but to give them four and one half millions monthly, or two and one-half millions more than what is now provided by the existing law."

Again, on June 24th, Mr. McKinley said:

"I am for the largest use of silver in the currency of the country. I would not dishonor it; I would give it equal credit and honor with gold. I would make no discrimination; I would utilize both metals as money, and discredit neither. *I want the double standard*, and I believe a conference will accomplish these purposes.

"Mr. Speaker, if it is practical legislation we are after, if it is the desire to coin every dollar of the silver product of the United States and make the Treasury notes issued in payment for that bullion a legal tender for debts, public and private, redeemable in coin, if that is what the people of this country want, they can have it by a vote concurring in the recommendation of the Committee on Coinage, Weights, and Measures to non-concur in

ity for bank notes will the States consent that the National Government shall in the future have?

It was a sharp and quick transition made

the Senate amendments and have a committee of conference."

He advocated the Sherman law of 1890 as the next best thing to opening our mints to everybody's silver. In that year he wrote that "with me political and economic questions are a conviction," and said: "I want the double standard." A year later he denounced President Cleveland for urging the repeal of the Sherman law.

Less than a year ago, he, as President, instructed the Wolcott Commission to endeavor in Europe to obtain bimetallism, and a few weeks after the departure of the Commission on the errand, he commended to Congress currency reform on the basis of the gold monometallic standard urged by the Indianapolis monetary convention.

The coinage law of 1873 had stopped the right to mint silver dollars out of the people's silver, and no minor silver coins were to be a legal tender for over five dollars.

The law of 1878 gave only to the Treasury the right to have coined silver dollars from which was removed the legal-tender limitation inflicted on all other silver coins. The Treasury began manufacturing silver dollars at a less cost than an hundred cents in gold, and the cost rapidly diminished, but required the people to take the silver dollars as such hundred cents in payment for services, commodities, and debts. If the Treasury had received an hundred cents in gold for such token silver dollars, the reason why the Treasury should not therefor return such gold on demand is not plain to everybody's vision.

That silver dollar law of 1878 first authorized silver certificates, and declared they should not be a tender for

by the Republican party from a fiscal system which tolerated no Federal dollars but coined dollars, and trusted no bank with custody of Government money, to a con-

the gold certificates of 1863, but the silver dollars deposited to obtain the certificates should be held in the Treasury to redeem the certificates on demand.

The Sherman silver law of 1890 enacted that its Treasury notes, issued to pay for silver purchases at a gold price, must be redeemed, on demand, in either gold or silver coins, at the discretion of the Treasury, but added that it was then "*the established policy of the United States to maintain the two metals on a parity with each other.*" Who knows what that meant? Were coins intended? The following sentences in the law repealing the silver clause of the Sherman law removed the ambiguity by a verbose enactment declaring:

"And it is hereby declared to be the policy of the United States to continue the use of *both gold and silver as standard money*, and to coin both gold and silver into money of equal *intrinsic and exchangeable value*, such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and *the equal power of every dollar at all times in the markets and in the payment of debts.* And it is hereby further declared that the efforts of the Government should be steadily directed to the establishment of such a safe system of bimetallism as will maintain at all times the equal power of every dollar coined or issued by the United States, in the markets and in the payment of debts."

That deprived the Treasury of discretion to pay Congressmen and Government creditors in silver or gold,

trivance which obliterated State banks of issue, and put Government money into the hands of national banks, bound the Treasury at Washington to print the bank

permitted the creditor to choose the dollars, and forbade the Treasury to compel a Government creditor to take any dollar the Treasury tendered in payment of the Sherman notes. Is or is not that also true of greenbacks and silver certificates?

The Republican party solicited and received in 1896 power to reform taxation, coinage, and currency. By caucus discipline, last year, that party put the Dingley law on the statute book. It is to be expected that, in like manner, ceasing from ambiguity and evasion, Republicans will decide upon, declare, and put to Congressional vote its coinage and currency plan, and make an end of doubt regarding the kind of dollars in which the Federal debt is payable. Because Mr. McKinley voted, on November 5, 1877, for Mr. Bland's bill to restore free silver coinage without awaiting foreign co-operation, and because he and Senator Allison, of Iowa, voted, in January, 1878 (a month before the enactment of the Bland-Allison law restoring silver dollar coinage), that all National bonds issued, or to be issued, under the laws of 1870, were and will be payable in silver dollars containing 412½ grains each of standard silver, and that to coin such dollars in payment for bonds will not be "in violation of the public faith," it is needful that the Republican party now declare its real relation to those silver dollars, and those bonds. Up to 1864, Congress never promised, or needed to promise, in bond legislation, anything besides "dollars," but in that year the existence of legal-tender greenbacks required a promise "in coin." In 1870 the promise made was "in coin of the present (1870)

notes, take charge of bonds pledged for circulating notes, pay on demand all notes presented in due form, restricted the kind of business the bank can do, prescribed the amount and quality of reserve for protection of deposits, and set up a system of banks more powerful, if they could be united in the hands of one political party, than "the bank" destroyed by Jackson. The new plan met comparatively little opposition, because it was believed to be necessary to float Government bonds, and because it was felt that the greenbacks were to be temporary. The voters were induced to believe that when the greenbacks were exterminated, the

standard *value*." What did that mean? "Standard" refers, in mint language, to weight and fineness. Was the "standard" ratio of 16 intended? The gold exchange "value" of a silver dollar in 1870 was one hundred and two and sixty-seven one-hundredths cents. What is now the definition of "in coin"? Is it the gold dollar, or silver dollar, or both; and if both, who has the choice, the debtor or creditor? Have silver certificates and greenbacks been turned into gold certificates by recent laws? The country is entitled to have from the Republican party a legislative answer incapable of misinterpretation, and not any more ambiguity and palaver.

banks would supply the only paper currency, and that coined money would be the only legal tender. That belief has been rudely shattered.

REPUBLICAN MONEY.

NO one can justly call in question the patriotism of those who, at Washington, were responsible for the finances of our country at the beginning of the unexampled strain of the war of secession. It is, nevertheless, proper, and indeed necessary, to review Republican conduct then, in order to get light on Republican conduct now.

Mr. Chase, then at the head of the Treasury, lived to condemn a great part of his official advice and action in financial matters during the war. He deplored, if he did not resist in the beginning, legal-tender greenbacks; but yet later, while still Secretary, he urged the law of 1862, imparting a legal-tender power, a law which afterward, when Chief Justice, he declared unconstitutional. Congress had so modified, on August 5, 1861, the Democratic independent Treasury law of 1846, as to permit the head of the

Treasury to deposit money in solvent specie-paying banks. Secretary Chase was urged by the banks to draw cheques on them to be settled at the Clearing House, but he refused so to treat the hundred and fifty millions of gold furnished by the State banks, and thereby caused the bank suspension of specie payments on December 28, 1861.

Spaulding, of Buffalo, N. Y., invented the legal-tender greenback, and in his history thereof, printed in 1869, he described the greenback as a "forced loan." It was not in any sense a "loan." It was, in police lingo, a "hold-up" by Congress of every creditor having an antecedent promise to pay coined dollars, compelling him to accept less than had been agreed. The greenbacks had printed thereon that they would be converted into six per cent. gold interest bonds at par, but Congress broke that contract by refusing such conversion after July 1, 1863. Instead of resorting to needed taxation, as three years later, the Republican leaders used unconstitutional legal-tender greenbacks and national banks to float

bonds. The greenback dollars so far parted company with coined dollars that in July, 1864, the former had fallen to a value in gold of only thirty-five cents. Experts put the increased cost of the war caused up to September, 1865, by increased prices of Government purchases caused by the greenbacks, at eight hundred and sixty millions, which could have been saved by heroic taxes and the use of coined money.

In 1863, Secretary Chase, having previously hinted a doubt whether any State could constitutionally empower a bank to issue its notes, State bank issues were taxed out of existence after 1866, in order that national banks should buy Government bonds. Coined money disappeared from use, excepting to pay customs duties and interest (the principal was not mentioned), on the bonds. In that period of "rag money" and "shinplasters," a Republican Treasury, under Boutwell, promoted, and a Republican Congress enacted, in 1873, a destruction of the eighty-one-years-old right of free coinage, and made gold the sole unit of value.

When the legal-tender greenbacks were first created, leading Republicans told the country they were only temporary expedients made necessary by war; that they would be few; that they could and would be automatically exchanged for bonds and then cancelled, and that the bonds were to be made the basis of a permanent national bank currency, our only paper dollars.

When the war ended all that was falsified.

It is true that in December, 1865, the House, by a vote of 144 to 6, promised speedily to get rid forever of the greenbacks, but four months later Congress repudiated the House promise, and, in February, 1868, ordered reduction of the volume of the greenbacks to be stopped.

The natural effect was that people, not Republicans, began to say that, if the greenback is to be permanent, then the principal of the 5.20 bonds of 1862 could be paid in the legal-tender greenback dollars.

On Feb. 27, 1868, Mr. Sherman, chairman of the Senate Finance Committee,

made a speech in the Senate greatly alarming the country, because, taking ground against Edmunds and the New England Senators, he maintained the right of the Treasury to pay the principal of the 5.20 public debt in existing depreciated greenbacks, although denying the right to make a new issue therefor. That was the "idea of Ohio," which the New York Democracy resisted. Out of the meshes of that "idea," Ohio Democrats did not emerge as quickly as did some of the Ohio Republicans. Hence party confusion in 1868 over that use of the greenbacks. By the election of Grant over Seymour, there seemed to be a Republican victory for coin payment and not for greenback payment as Sherman advised a year before.

Thereafter came the Republican legislation of March 18, 1869, "to strengthen the public credit," which resulted in a new departure in Republican infidelity to pledges. That enactment declared that "the faith of the United States" thereby "solemnly pledged to the payment in coin, or its equivalent, of all . . . the United States

notes (greenbacks) . . . at the earliest practicable period."

"Payment" meant (as in the case of the note of an individual), paying, cancelling, and exterminating. That pledge of 1869 has not been kept. Those who deem the greenback dollars unconstitutional, unnecessary, unsafe, have not united to destroy them after payment. The new device called "redemption" made "payment" read "exchanged for coined dollars, and then reissued."

Finally, there came in 1875 a crisis when, as Mr. Sherman declares in his *Autobiography*, the Republican party could not survive if it did not pay coined dollars for the greenback debt. The resumption enactment of that year was the outcome.[1] A

[1] What happened in 1874 is an illustration of the danger that lurks in Government debt made a full legal-tender Government currency. The law of 1864 declared that the total amount of United States notes, issued, or to be issued, shall never exceed four hundred millions of dollars, and that of 1866 directed that a therein specified number be "retired and *cancelled*." The last word was imperative and required extinction of such notes. Two years later, the law stopped further retirement and cancellation. Three hundred and fifty-six millions remained outstanding. The Treasury treated the forty-four millions

Republican Senate caucus appointed a committee of eleven. Only Sherman, Allison, Boutwell, and Edmunds, among those appointed, are now living. Sherman's *Autobiography* says (Vol. I., p. 510) agreement was impossible on the critical question whether or not to destroy the greenbacks exchanged for coin, and so it was agreed to palter on that point, and mislead the country. That paltering and evasion were eloquently described in the Tilden National Democratic platform of 1876. Senator Sherman obeyed in debate the caucus requirement. After-

redeemed and ordered by Congress to be cancelled, as in life and subject to reissue, even although ordered to be cancelled. In 1869 and 1871, a portion was by the Treasury reissued, afterward withdrawn, and after October, 1873, twenty-six millions were reissued in buying bonds as an effort to relieve the depression caused by the panic of that year. The outstanding sum, in April, 1874, was three hundred and eighty-two millions, and a Republican Congress passed "the inflation bill" of that year, fixing the maximum amount at four hundred millions, and, in effect, validating the previous reissues, which bill, Grant, in his veto of it, characterized as a violation of "national obligations to creditors, Congressional promises, and party pledges." That veto promoted a popular demand that the greenbacks be paid. It led up to the resumption law of 1875, under the manipulation of which, exhibited in the text, greenbacks have been kept at $346,681,516.

ward, and when at the head of the Treasury, Sherman advised Congress to declare frankly that the redeemed greenback be not cancelled, and Congress enacted in 1878 the "endless chain" second repudiation of the "faith" pledged in 1869. Here it is:

"That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury, or other officer under him, to cancel or retire any more of the United States legal-tender notes. And when any of said notes may be redeemed, or be received into the Treasury under any law from any source whatever, and shall belong to the United States, they shall not be retired, cancelled, or destroyed, *but shall be paid out again and kept in circulation.*"

In the Juilliard case, it was rightly argued by Senator Edmunds, that the above law of 1878 did not make the reissued greenback a legal tender, but the Republican Supreme Court said it did.

Were ever principles thus announced and then abandoned, or pledges thus repudiated? The promised temporary life of the greenbacks, their enacted automatic ab-

sorption into bonds, their pledged payment and retirement—all were disregarded! The law of 1878 declared the redeemed greenbacks should not be cancelled.

Over the last ten words of the law of 1878 there has been and is great dispute. One side insists that the redeemed greenback must be put out again immediately, and in advance of any other type of dollars, but the other side replies that the Treasury can take its time, and impound them for months and years, if so be the greenbacks are all kept in life.

Not content with that law of 1878, Congress enacted in 1890 another law which, before it could be repealed, created one hundred and twenty-five millions more of full legal-tender paper dollars to be redeemed on demand, thus increasing the need of more Treasury redemption contrivances.

Our Federal currency now consists of gold coins, the amount of which outstanding is pure guesswork. They are the result of laws enacted before 1860. Besides these, there are in addition—and all

of Republican invention since 1860—silver dollars, not produced by free coinage (and their paper certificates), the bullion worth of each of which in gold is now some forty cents, greenback full legal-tender "endless chain" dollars, Sherman full legal-tender paper Treasury dollars, national bank note dollars not legal tenders, and a mass of underweighted minor silver coins. No State bank notes exist!

Estimating the gold coins at 400 millions, there are some 2,000 millions of dollars of all sorts, a per capita sum twice as large as in 1860. And yet it is said the quantity of our currency is inadequate. Too little is said of the defective quality. Are greenbacks, or national bank notes, or neither, or both, to be the permanent paper currency of the future?

PAYMENT, REDEMPTION, RESUMPTION, AND EXTINCTION.

WHEN the legal-tender greenbacks were created in February, 1862, Congress enacted that, at par value, they be convertible into bonds, received in payment for any loans, and for all dues to the United States, excepting duties, "and may be reissued." The Supreme Court thereafter adjudged the greenback to be a debt, which must, some day, be paid by a coined dollar. In 1869, Congress pledged its faith to *pay* the greenback debt, and not merely to "redeem" in the modern sense of exchange for coin, and then reissue.

What payment means we all know. Payment of a promissory note is its extinction. "Redemption" has, in one sense, a different meaning. It is buying back. "Resumption" is taking back that which has been given, or doing again what has been interrupted.

In the early laws of Congress the phrase was "redemption by payment," as in the first fiscal law of August, 1790. Thus the statute meaning of redemption was fixed. The titles of those early laws used, for short, the one word "redemption" when referring to payment of the public debt. Congress had never before 1875 enacted payment in specie of a legal-tender debt, because none had existed before 1862. As the Treasury had never begun paying greenbacks, it could not resume the paying.

Mr. Sherman relates, in his *Autobiography* (page 509), that, when Congress met in December, 1874, he called attention, in a Republican caucus, to the uniting of the party "on some measure that would advance the United States notes to payment in coin," and he moved a caucus committee of eleven to formulate a bill. He adds (page 510):

"The most serious dispute was upon the question whether United States notes presented for redemption, and redeemed, could be reissued. On the one side, it was urged that being redeemed, they could not be re-

issued without an express provision of law. The inflationists, as all those who favored United States notes as part of our permanent currency were called, refused to vote for the bill if any such provision was inserted, while those who favored coin payments were equally positive that they would not vote for any bill that permitted notes, once redeemed, to be reissued. That appeared the rock on which the party was to split. I had no doubt under existing law, without any further provision, but that United States notes could be reissued. It was finally agreed that no mention should be made by me for or against the reissue of the notes, and that I must not commit either side in presenting the bill."

He kept to the agreement. No one could extract an opinion from him. When questioned in Senate debate, his answer was, "I will come to that in a moment." The moment never arrived. Ambiguity was intentional. Hence the title of the law was, "An act to provide for the *resumption* of specie payments." It was resumption of what had never begun. The first section

provided redemption of fractional currency on a silver (not gold) basis, and Mr. Sherman affirms in his *Autobiography* that "destruction" of the redeemed fractional currency was implied. Why not of greenbacks?

Further on (page 701), Mr. Sherman confesses that "the commercial and banking classes generally treated resumption as if it involved the payment and cancellation of United States notes," but that he, and what he assumes to be "the body of the people," agreed that resumption meant merely bringing greenbacks up to par in coin.

One detects why the words "resumption" and "redeem" were used in the law of 1875, and not "payment" or "redemption by payment" and cancellation. The juggling is plain to be seen!

Those who framed the law of 1875 expected an increasing emission of national bank notes under more free banking. Therefore, the law enacted that the Treasury must, to the extent of four fifths of the sum of the new bank notes, "redeem" greenbacks. Note the word "redeem!"

Then the law declared that, on and after Jan. 1, 1879, the Treasury shall "redeem" all greenbacks outstanding and presented. Observe the same word "redeem," and that there is nothing in the law demanding that the former class be extinguished when redeemed, but the latter class is to be reissued after redemption. Mr. Sherman, when at the head of the Treasury, raised a question, whether notes less then the limit could be reissued. In a speech in August, 1877, at Mansfield, Ohio, he considered the meaning of "specie payments" by asking whether or not "we are to retire our greenback circulation." "If we are," he replied, "I am opposed to it. What I mean is simply that paper be equal to gold."

He recommended (page 659) the "endless-chain" law of 1878, commanding the reissue of all greenbacks thereafter redeemed.

Worse than that! His resumption law had been denounced as "a trick." After its enactment, he (page 520) wrote to a newspaper, and said the law did refuse to

declare whether the redeemed greenbacks, below the $300,000,000 limit, could be reissued. That question must be decided by Congress, he added, and when presented to Congress the controversy will be whether the reissued notes shall have the legal-tender quality. He, and the "endless-chain" law, again evaded, said nothing of legal tender, but the Supreme Court interpreted legal tender into the "endless-chain" law.

His purpose to retain the greenback "by hook or crook" was foreshadowed in a Senate speech on March 6, 1876 (page 56), in which he affirmed the greenback to be the best currency we can adopt, and "the currency of the future."

I have endeavored to explain how and why full legal-tender Government notes, which caused the business depression of the last four years by fear the Treasury could not, on demand, redeem greenbacks in gold, continue to exist in our currency. I have not asserted my own opinions, but have analyzed historical facts.

A great part of the older Republican

leaders, trained in the Federalist and Whig schools of opinion, believe, as did Marshall and Story, that State banks of issue are forbidden by the Constitution. Sherman has said he does. The paltering, shifting, and evading by Republican leaders regarding the greenbacks have led a great part of the country to look upon them as permanent. Populists born of the Republican party commend the greenbacks, and the existing national bank note currency seems not quite satisfactory to anybody. Out of the uncertainty and confusion, no Republican of authority, no member of the Government in power at Washington, has yet emerged, urging an immediate extinction of the legal-tender greenbacks. The Republican leaders hesitate, evade, postpone, and meanwhile juggle with new resuming and redeeming devices. The details of the proposal by Secretary Gage to create an issue and redemption bureau in the Treasury, isolated from the normal and ordinary operations of that department, and the suggested manipulation of paper currency, can perhaps be understood by banking experts,

but are too complicated and technical for the comprehension of plain people who are entitled to a treasury department whose workings they can explain.

GREENBACKS OR BANK NOTES?

REPUBLICAN evasion, Republican duplicity, during thirty-five years, in dealing with the greenback, have, it is feared, almost discouraged the country into toleration of the greenback as a permanency. President McKinley and Secretary Gage probably feel that the greenback, requiring a gold redemption fund, is especially unsafe in a deficit of Treasury income; they must both realize that nothing will end the Treasury coin-redeeming but extinction of the greenbacks. Their highest flight ascends only to a more or less imperfect impounding of some of the greenbacks, in violation of the "endless-chain" law of 1878.

Forty years ago, and after Jackson and Van Buren had put an end to the disorder created by the two United States banks, a majority of the people of our country were perhaps favorable to sound State banks as

manufacturers of credit and instruments to facilitate the exchange of commodities by cheques and bank notes, which two things are identical in their nature.

Investors and experienced business men may be, and probably are, convinced that all paper currency is unsafe unless redeemable on demand in coin, and that Governments never resort to full legal-tender paper currency when they have a plenty of coin, or when such paper currency can easily and surely be maintained at parity with coin. They prefer bank notes to Government paper currency, for the very reason that they believe banks can, on demand, redeem their notes in coin more surely and easily than even the richest Government. They say the obvious explanation is that the Government at Washington has not salable, negotiable wealth, such as a bank has, with which to get coin for redeeming and paying its notes. Our National Government has now no commodities to sell besides unsalable silver bullion. It can, to be sure, tax and can sell bonds, but a bank has, or should have, negotiable prop-

erty with which to promptly acquire coin by which to pay its cheques and notes.

The largest Treasury balance in recent years was seven hundred and seventy-eight and a half millions in 1892, but at that time the banks and trust companies of the country represented that they had available cash assets nine times as large. There is really nothing behind a greenback but the "faith" of Congress, and we have seen, since 1862, what that has been worth. It is misleading to say that all the wealth of the country is behind the greenback. The holder cannot sue and levy on that wealth. All he or she can do is to vote, if he or she be a qualified voter.

Investors and business men generally concede that, although emitting circulating notes was once the common-law right of every one, yet, as a bulwark against the knavish, and to protect the incompetent, Government should supervise the cheques and notes of incorporated banks. They insist that experience with Congress has demonstrated that it cannot, or will not, well conduct coin-redemption business. Indeed,

a good many of them seem to be thinking that Congress cannot, or will not, safely manage even legal-tender coinage, which Congress alone has Constitutional power to manage. They have been confronted with evidence that giving votes by Senate Republicans for the Sherman silver law was the price paid to silverites for the McKinley tariff of 1890.

Probably the best business men of our country feel that when the banks cannot, or will not, buy Government bonded debt, as a basis of circulation, the present national banking system must come to an end. There were 350,000,000 bank-note dollars in 1872, but now there are only some 230,000,000. When the bank notes shall have departed, are there to be left only greenbacks? How can Congress emit more greenbacks, except for borrowing money, or for commodities and services?

The only "money" that Congress can constitutionally coin, make, borrow, or appropriate for expenditures, is that which has a substance of silver and gold. Certifi-

cates, or other representatives, of such money may be of another substance, such as paper, but not a legal tender because not real dollars. The "quantity" theory of money must be submitted to that constitutional test, but the "quantity" theory of currency has a different relation.

Populists insist that the volume of money and currency in a given country must, at all times, be equivalent in exchange value to the sum of the value of all commodities "held for trade" in that country, which implies that prices are determined by the quantity of the circulating medium, that prices do not cause variation in the needed quantity of money and currency, nor do the imaginations, hopes, and fears of men influence prices apart from the quantity of money. Of course, the Populistic theory regarding the quantity of money and currency that our country needs excludes products consumed by the producer's family, excludes commodities disposed of by barter, or bank cheques and credit where no money, or currency, is used, and excludes things sold on very long credit. Nor is

there a need of as much money and currency when they circulate rapidly from hand to hand. Therefore the Populistic test cannot be of service in legislation by which Congress arbitrarily decides the number of dollars to be in use.

The making and issuing of money, which to be constitutional must be coined, is exclusively in the hands of the Government at Washington. The making and issuing of bank notes and other paper representatives of money, which are currency, may be in the hands of each State. The making and issuing of auxiliary currency, which are promissory notes, bills of exchange, cheques certified and uncertified, may be in the hands of individuals, corporated, or incorporated. The making and issuing of money, or currency, are obviously unlike loaning them at interest after lawful emission. It is the function of banks and bankers to be intermediate between those having loanable capital seeking employment, and those having industry and enterprise who seek capital and credit with which to execute their plans, but it is ob-

vious that there will not be occasion, or opportunity, for banks and bankers in places where there is no loanable capital seeking to be used.

Such are some of the contentions in favor of bank notes as against greenbacks; but, on the other hand, there has been growing, during many years, a strong body of opinion preferring greenbacks, which opinion must be counted with.

On July 13, 1886, Mr. Warner, of Ohio, to whom, in February of the previous year, President-elect Cleveland sent his silver letter, introduced this proposition in the House:

"Provided, that after the passage of this act, whenever, and as fast as the circulating notes of national banks are redeemed or cancelled, as provided by the act of June 3, 1864, and amendments thereto, the Secretary of the Treasury shall cause to be issued, in place of such bank notes redeemed, dollar for dollar, United States notes, in denominations as nearly as may be of the bank notes redeemed, and all laws applicable to bank notes now in cir-

culation are hereby made applicable to the notes issued under this act."

That was done some time ago, but is now significant.

Mr. Warner is now president of "The American Bimetallic Union."

A reply by him to questions asked by the sitting Monetary Commission appointed by the Indianapolis Convention has been recently printed, and is worthy of attention, as indicating a certain phase of a drift in public opinion. Mr. Warner says among other things:

"I would not favor withdrawing the United States notes or the notes of 1890. The United States notes are the best paper money this country ever had, and no country ever had a better. There is but one question to be considered in connection with such a currency, and that is the proper regulation of its amount. That this currency by itself is not now excessive or redundant is too manifest to require argument or proof.

"The United States notes cannot be withdrawn without adding to our bonded

debt, and to issue bonds to take up such a currency in order to allow banks to substitute for this legal-tender currency their own non-legal-tender promises to pay, would, in my opinion, be madness little less than criminal.

"It is pertinent to ask what the public is to gain by the substitution of non-legal-tender promises of banks to pay for our present legal-tender currency? It would seem that the advantages to the people of such a change, which must be costly at best, and likely to involve the most serious consequences, at any rate, while it is being carried out, ought to be clearly pointed out. The writer has seen no attempt of this kind, except by such vague and meaningless expressions as 'sound money,' 'a currency safe and elastic,' a thing as impossible as perpetual motion.

"Surely, no one will claim, and certainly no economist will agree, that a currency is or can be improved by taking from it its chief money functions—that of legal tender. Evolution in currency for a hundred years has been toward endowing whatever is

allowed to circulate as money with this highest money function. Hence, nearly all the paper currency of Europe to-day is full legal tender.

"The main question, then, is, By what principle will banks be governed in the regulation of the volume of currency if the sole right to issue and control the volume is turned over to them? Will it be as the public interest requires, or as their own interests dictate? If in the public interest, who will decide—one or all, of thousands of bank presidents or bank cashiers? Or will it be left to the mere discretion of those issuing the currency?

"We come, then, to the only principle which would finally prevail in a country like the United States, and that is THE INTEREST OF THE BANKS THEMSELVES. For whatever may be said about an elastic currency it comes to this at last.

"Therefore, when the right to issue and control the volume of currency is turned over to the banks, it might as well be understood first as last that they will be governed in the supply of such currency as

their own interests dictate, and by no other principle. No other principle can be laid down that they can or will follow. There may be some restrictions, such as the security of notes, the amount of capital, etc., but the governing principle by which the supply of currency will be controlled will be the interest, not of the public, but of the banks.

"With the knowledge of the fact that they who control the volume of money can control all industry and commerce, is it possible that our people will sanction the transfer of such power to banking corporations?"

If any one shall say that these opinions expressed by Mr. Warner, a bimetallist, are extreme, and have not been shared by real fabricators of Republican doctrine, let him turn to page 754 of the Sherman *Autobiography*. He will there see it set forth by the author that his chief, President Hayes, recommended to Congress, in his Annual Message of December, 1879, to retire from circulation all Government notes having a legal-tender faculty, and retire

them because they were war devices unfit for days of peace, but that he (the Secretary of the Treasury) did not concur therein. Mr. Sherman then goes on to say that he deems the greenback "the best form of currency yet devised"; that the issue of bank notes "would be governed by the opinions and interest of the banks," the amount of issue varied to suit the interest of the banks and "without regard to the public good"; that it would be "a dangerous experiment to confine our paper money to bank notes alone"; that the opinions and interests of "our citizens who manage banks" and those of "the great body of our people" are in conflict, and that he (Sherman) stood by the latter, who "instinctively prefer" greenbacks over "any form of bank paper yet devised" either at home or abroad.

I commend to the meditation of all in New York who control, or manage, banks of issue, those concurring views of eminent citizens of Ohio, regarding the selfishness and cupidity of New York bankers emitting circulating notes.

SUPPRESSION OF STATE BANKS BY CONGRESS.

ANY review of our currency conditions will be imperfect which does not mention the existing law of Congress, laying a ten per cent. tax on the circulating notes of every State bank, and also the decision of the Supreme Court, in 1869, upholding the constitutionality of the tax, and does not take into consideration the consequences likely to follow from a possible reversal hereafter of that decision.

I have shown that in 1837 the Supreme Court adjudged, in Briscoe's case, that each State possessed the power to charter banks of issue. That judgment has been affirmed by at least three subsequent cases. If a State has the right to create State banks of issue, it does not seem reasonable for Congress to destroy the exercise of the right by taxing it out of existence, but nevertheless,

the Supreme Court did decide, only two Justices dissenting, that Congress may, by a tax, restrain "the circulation as money of any notes not issued under its authority."

"Money" is there confused with currency.

The Democratic National Convention of 1892 affirmed, in effect, that Congress could tax only for revenue. No one has ever suggested that the State bank ten per cent. tax was "for revenue only." As a necessary corollary, that Democratic National Convention recommended "that the prohibitory ten per cent. tax on State bank issues be repealed."

If it shall be repealed, is it likely that there will be a revival of the "wild-cat" State bank currency of three quarters of a century ago, which carried untold sorrow into the abodes of humble industry, of workingmen and salary-earners, by the evils of bank notes the value of which melted away?

The State banks in 1861 advanced to the Government one hundred and fifty millions of the gold belonging to their share-owners and depositors. The gold when

paid out of the Treasury was hoarded or exported. The banks had then no gold to pay back to the owners of the gold loaned to the United States and suspended coin payments. Four times in twelve years the national banks of New York have suspended by failing to meet their obligations to their depositors and customers. Can legislation, or executive supervision, prevent similar suspension in the future? Will even the fear of criminal punishment deter the average bank director and official from knowingly violating, in time of panic, the law regarding the reserve if directors and officials believe the safety of the bank, of themselves, of their customers, and of the business community, demand a violation of a law under which the bank was chartered? and especially so long as the country banks can keep their "reserve" in the city banks and obtain interest thereon? On the other hand, who has ever suggested that our New York savings banks and trust companies are unsafe for depositors, even though not supervised from Washington?

One who would forecast the result of

challenging by a new case the correctness of the State bank tax decision, made twenty years ago, must take account of the fact that it was made during a new era of our history, when Congress and the Supreme Court had ascended, or were ascending, to an altitude of federalism not theretofore reached.

Of the eight members of the Court who participated in that State bank decision (only two dissenting), none are now on the bench. Chief-Justice Chase had then been in office only five years.

At the same term as that of the decision of the bank-tax case, but on a day after it, Chief-Justice Chase read, on Feb. 7, 1870, the opinion of the majority, that Congress could not make any kind of credit currency a legal tender for private debts. On that very day, Grant nominated Strong and Bradley to fill two vacancies on the bench; and another case, involving the same question, was advanced for argument, and, in that year, the former decision against the legal-tender greenback was overthrown. The bank-tax decision is to be read in the

light of the fact that the legal-tender greenback was then deemed to be doomed because of its unconstitutionality.

The bank-tax case was argued for the bank by Reverdy Johnson and Caleb Cushing, then Democrats, both formerly Whigs. Each had been Attorney-General. They rested their contention on two points—one that the tax was an unapportioned direct tax, and the other that it was a tax on a "franchise" granted by the State of Maine. The first was overruled by the Court because it said direct taxes were only on land and polls, but since then an income-tax decision has declared differently. As to the second point, the Court said the tax was not on a "franchise," or power, to issue notes, but a tax on a "contract" made *under* the franchise, or power.

The minority opinion, read by Samuel Nelson, of New York, declared the tax to be on a "debt" of the bank, and unconstitutional because aimed at destruction of a State power to create a bank of issue, a power essential to the exercise of that State sovereignty which Congress cannot tax.

The majority of the Court conceded that Congress cannot tax necessary agencies for the legitimate purposes of a State government, but insisted that State bank notes (being contracts) were no more exempt than State railway contracts. Lurking behind the decision was perhaps the old Federal belief that, despite repeated Supreme Court decisions, a State cannot constitutionally create a bank of issue.

THE BANKS OF THE WHIGS AND THE NATIONAL BANK OF THE REPUBLICANS.

THE question may be asked, it is often asked, how and why, if Congress has not had, from the beginning, in the opinion of the great majority of Democrats, a constitutional power to create and control "the bank" of the United States, it has constitutional power to create and control the existing system or any other system of national banks?

That the Democratic party did, as a party, condemn "the bank" is undoubted. The first bank was Hamilton's idea. Over it he and Jefferson differed in Washington's cabinet. Jefferson was till the day of his death hostile to banks. Gallatin, although in Jefferson's cabinet, could not mollify his prejudices against them. Madison did, it is true, sign the bill of 1816 creating the second bank, but George Bancroft, in his

sketch of Martin Van Buren, declared that the bill received Madison's "reluctant assent," and that the assent "has had a most powerful and far from salutary influence on the subsequent course of the Government." Under Jackson and Van Buren, the Democracy denounced "the bank," Democrats and Whigs divided over it, and in Tyler's time the Democracy made it "an obsolete idea."

Seventy-eight years ago the Supreme Court unanimously adjudged the Second United States Bank to have been constitutionally created by Congress, and that Maryland could not tax the notes of one of its branches situated in that State. The Democracy under Jackson did not acquiesce in the decision. Because of its unconstitutionality he vetoed, in 1832, a bill to continue after 1836 the law incorporating "the bank," and the voters upheld him.

The Court had said that among the powers enumerated in the Constitution as imparted by Congress, "we do not find that of establishing a bank, or creating a corporation," but there are enumerated the

great powers to lay and collect taxes, to borrow money, to regulate commerce, and, finally, "to make all laws which shall *be necessary and proper* for carrying into execution the foregoing powers and all other powers vested by the Constitution in the Government of the United States, or in any department thereof." The words "necessary and proper" were made the turning point of the controversy. The Court said it could and would prescribe what was "proper" for Congress, within the constitutional meaning of the word. It did decide "the bank" to be "proper," but that Congress could decide whether or not "the bank" of 1816 was then "necessary." Jackson vetoed a continuance of the law of 1816 on the ground that it was unnecessary. He also declared the law improper in a constitutional sense. Among other things, Jackson said this in his veto, which has a bearing on the question now current:

"It is maintained by some that the bank is the means of executing the constitutional power to coin money, and regulate the value thereof. Congress has established

a mint to coin money and passed laws to regulate the value thereof. The money coined, with its value so regulated, and such foreign coins as Congress may adopt, are *the only currency known to the Constitution.* But if they have other power to regulate the currency, it was conferred to be executed by themselves, and not to be transferred to a corporation. It is neither 'necessary' nor 'proper' to transfer its legislative power to such a bank, and, therefore, unconstitutional."

How unlike the composition and powers of the existing national banking system are those of "the bank" of 1816, which the Supreme Court upheld and the Democracy overthrew, every one now appreciates, but probably no one from 1844 down to the war of secession ever imagined that Congress could or would be permitted to create corporations with power to furnish all the bank notes issued in the country. It cannot well be doubted that thirty years ago it was contemplated by a Republican Congress that the greenback was to be temporary. The title of the national bank

law of 1863, "an act to provide a national currency," indicates as much, and that the only specie should be a legal tender. Those Republicans who then urged that it would be better for Congress at once, and frankly, to issue greenbacks to occupy the whole field of paper currency, instead of "whipping the devil around the stump" by using national banks to issue what the Government was in the end to father, were not then as potential as they now seem to be. All along the fear of "wild-cat" State banking was, and it now is, almost controlling.

The case of McCullock, decided in 1819, is interesting for a multitude of reasons. The opinion was read by Marshall. Commentators have described it as "immortal." It did give a definition of "necessary and proper," as used at the end of the express powers, which bids fair to be permanent. It contained the sentence, "It is the government of all, its powers were delegated by all; it represents all, and acts for all," which sentence Lincoln felicitously adopted and adapted.

The logic and reason of that portion of the opinion that has been, perhaps, most criticised, which criticism is pertinent to-day in its application to the existing Federal tax on State bank notes, relates to taxation by Congress of the measures and operations of a State government deemed "necessary" by a State. An argument denying the right of a State to tax national bank notes is likely to deny the right of Congress to tax State bank notes.

But interesting as some of these questions are, and arguments thereon may now be in an academic sense and in the moot-court forum of a law school, perhaps they are not within the range of the practical politics of to-day.

It may be asked why the Democracy does not now disclose its plans for reforming the currency. The answer is twofold and as old as government by party. The Democracy is now in opposition, and it is the function of an opposition to oppose. A physician does not prescribe for a patient until he is called in. When the administration has formulated and disclosed

its plan in Congress, the opposition can expose its defects. After the administration and the Indianapolis Convention have matured their schemes of reform, after debates in Congress, and after the newspapers have poured their illumination on the situation, it will be in order for the Democracy through the several State conventions next autumn to proclaim its views.

APPENDIX.

DEMOCRATIC RESPONSIBILITY FOR THE CITY OF NEW YORK.

THE anniversary of the Battle of New Orleans was celebrated by the Business Men's Democratic Association of New York by a dinner at the Hotel Savoy. About two hundred were present. Theodore W. Myers presided, with Controller Coler at his left and James B. Eustis at his right. Others at the main table were Thomas F. Grady, District Attorney Gardiner, Perry Belmont, Lindsay Gordon, Senator Jacob A. Cantor, and Evan Thomas.

Among the toasts was:

"The two administrations of Andrew Jackson: they illustrate the necessity and use of party organization, party discipline, and party responsibility."

Mr. Belmont, having been invited to respond, said:

"The two most illustrious and durable among Jackson's many great civic achievements were, first, his strengthening of the sentiment of Democracy, of nationality, and of Union by vigorously leading Congress to extinguish, by summary measures, attempts to peacefully nullify, within State jurisdiction, a Federal statute, even that one as odious to all Democrats as was the protective tariff of 1832. His Nullification Proclamation was the note that set the music which afterward inspired and won the fight against State secession armed.

"The next most important and durable of civic triumphs by him whose greatest military glory we celebrate to-night were the destruction of the United States Bank and a revival of a currency of gold. New Orleans and South Carolina were enough to 'fill his sounding trump of fame,' but, pushing onward and upward, Jackson accomplished those last two other services to his country.

"They were made possible by the perfection at Washington of Democratic party organization and discipline. When the

political objects to be secured had been decided in conformity to the creed taught by Jefferson, there was committed to a representative executive and Congressional committee of Democrats the choice of means and their effective employment. The Whig combination in Congress against those objects was formidable. To more than thirty of the ablest Whigs were by the opposition assigned appropriate parts in the contest. The Democrats were as numerous, zealous, and able. It matters not whether in this severe contest Jackson led or followed. The Democratic organization was to the right of him, to the left of him, behind him, and in front of him. Wherever the Democratic flag passed, a great cause preceded; a great people followed. Jackson dared to lead where the organization followed; he dared to follow where the organization led.

"The Democratic Executive gave its aid to Democratic Congressmen, and they, in turn, gave their aid to the Democratic Executive. The voice of the selected leader was the voice of all. When the organiza-

tion spoke, the response of the party in Washington was unanimous, universal, and concurring. When Jackson gave the word, the Democratic newspapers fell into line. There was concert, order, and discipline. The Democracy acted with uniformity, perseverance, and efficiency. There were common council and united strength. There had been long acquaintance among the men of the organization. There were personal trust and abiding friendship. Each one's faculties had their fitting place.

"'On the firm basis of desert they rise,
From long-tried faith and friendship's holy ties.'

"Men do not and can not act together in confidence in political affairs, said Edmund Burke, unless bound together by common opinions, common affections, and common interests. They must not fear to be known as in such party organization. Jackson was an administration man, a party man, an organization man, and hence his civic triumphs. A desire to vindicate Madison's administration gave nerve to the arm that struck the British forces advancing upon New Orleans a mortal

blow. The Democratic party organization exemplified in Jackson's term is fitting and needed to-day among you in New York.

"The ballot-boxes, two months ago, committed, by the greatest number of votes, the government of this greater city to the Democracy. The issue was distinctly made and fiercely contested. The battle raged around Tammany Hall. There was a free fight, a free vote, and a fair vote. The Democracy had not an atom of patronage in the city or State. Nobody intimates that the registration, or the counting of the votes, was dishonest. The pulpit was free, the press was free and almost unanimously, when the pulpits interfered at all, were opposed to you. London is unhappy over the Democratic victory, meanwhile anxiously inquiring of New York how to put out a fire. Our reformers last summer pointed us to England as the place to see non-partisanship in affairs not imperial, but London has just emerged from a bitter party campaign over religious teaching in public schools.

"The greatest number of voters, I repeat, committed the government of New York to you of the Democracy, and for a long period. Not merely the elected city officers are responsible, but the city Democracy and Tammany Hall are responsible for good government.

"In what other way can the whole body of the Democracy so well discharge that duty as by the interposition of constant scrutiny of the conduct of the Democratic officials, a scrutiny exercised not only by each Democrat, but by a regularly chosen organization of the party and by its authorized committee? Beyond reasonable doubt, a majority of the voters in the city to-day are Democrats, and in that sense are the people who are bound to watch each official act of their servants.

"Neither Jackson nor Van Wyck initiated putting none but faithful party men on guard. It began with the century. One does not readily see how a self-respecting man appointed in your city under the recent 'reform' government can, if he really believed and echoed what Tracy and Low

said of Tammany Hall and Van Wyck, consent to remain in service under them. I have not heard that President McKinley consulted New York Democrats in regard to the qualifications of Republicans appointed to the Federal offices in your city or on Long Island, in the places of Democrats removed. The ethics and patriotism of 'government by party' and party organization and discipline were set forth for our instruction much more than an hundred years ago by the most resplendent orator that Ireland—so prolific in orators—has ever produced, and by the greatest man in English political literature, who mastered the science and details of practical politics under a constitutional government. That one was in the House of Commons the powerful friend of the American colonies and of Franklin. Commended to us by such associations clustering around our national birth, the utterances of that profound political philosopher, who more than a century and a quarter ago deplored and condemned the alarming deterioration of party government in England, are perti-

nent now and here. You will have anticipated, I am sure, that I refer to Burke's pamphlet containing his 'Thoughts on the Cause of Present Discontents.'

"After I had been told of the toast by which your kindness would invite me to respond to-night, I made an extract from the concluding pages of that historic tract on party government, which perhaps you will permit me to read.

"This is what Edmund Burke wrote:

"'Party is a body of men united for promoting, by their joint endeavors, the national interest upon some particular principles in which they all agree. For my part, I find it impossible to conceive that any one believes in his own politics, or thinks them to be of any weight, who refuses to adopt the means of having them reduced into practice.

"'It is the business of the speculative philosopher to mark the proper ends of government. It is the business of the politician, who is the philosopher in action, to find out proper means toward those ends, and to employ them with effect.

"'Therefore every honorable connexion will avow it as their first purpose to pursue every just method to put the men who hold their opinion into such a condition as may enable them to carry their common plans into execution with all the power and authority of the state. As the power is attached to certain situations, it is their duty to contend for those situations.

"'Without a proscription of others they are bound to give to their own party the preference in all things, and by no mean private considerations to accept any offers of power in which the whole party is not included; nor to suffer themselves to be led, or to be controlled, or to be overbalanced in office or in council, by those who contradict the very fundamental principles on which their party is formed, and even those on which every fair connexion must stand. Such a generous contention for power on such manly and honorable maxims will easily be distinguished from the mean and interested struggle for place and emolument.'

"Lest any of those in the pulpit, or out

of it, who last summer and autumn so fiercely denounced party ties as immoral, shall think the precept commanding Democrats 'to give to their own party the preference in all things' is an invention of Tammany Hall, it may be well enough to say again, for such, that the political ethics I have quoted and read were taught a quarter of a century or thereabouts before your 'Tammany Society' was born, and taught by a publicist, the centennial of whose death was last July."